

Component Unit Financial Statements
And Report of Independent Auditors

Airport Authority for Airport District #1
Of Calcasieu Parish
Lake Charles, Louisiana

December 31, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

7/30/08

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Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the accompanying financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury, as of December 31, 2007 and 2006 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority District #1 of Calcasieu Parish as of December 31, 2007 and 2006, and changes in financial position and cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

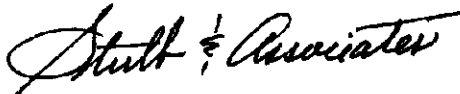
In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007, on our consideration of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis on pages 5 to 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Airport Authority District #1 of Calcasieu Parish, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the general purpose financial statements of Airport Authority District #1 of Calcasieu Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Stull & Associates".

June 30, 2008

**AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1 OF
CALCASIEU PARISH - LAKE CHARLES, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

The basic financial statements focus on the Airport as a whole. These basic statements are designed to emulate corporate presentation models whereby all Airport activities are consolidated into one business-type fund. The focus of the Statements of Net Assets is designed to be similar to bottom line results for the Airport. This statement combines current financial resources with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on results of operations and non-operating revenues that support operations of the Airport.

Overview of the year 2007

I am pleased to present this Annual Report on the activities and progress of the Lake Charles Regional Airport in calendar year 2007. The past year has been one of growth and development for the Airport. Our priorities this year focused on the financing and final planning of the all new \$28 million Passenger Terminal Building, a new water system, and the expansion projects of ERA and PHI Helicopters at LCRA. The Air Traffic Control Tower was completely reconstructed to a level of newness with a \$1.6 million grant from the FAA. The badly damaged and condemned Terminal Building built in the late 50's and early 60's, and remodeled many times, was demolished in a six-month period of 2007. All environmental, safety and security measures were implemented to accomplish that task. Last January you shared comments pertaining to the new Master Plan for LCRA. We discussed the planning document and the program narratives that were created to ensure a community plan fitting into the larger national picture. The Federal Aviation Administration looks at a multitude of facets before deciding how, and in what amounts of money, to fund each airport's development. There is intense competition which exists among cities for a finite number of airport dollars, and the Master Plan is the essential tool used in managing the Airport's future.

I want to thank this Board for the reassurances and for the commitment to stand behind me during very turbulent times in 2006 and 2007. It is easy to see that we stood for what was right for the Airport. Knowledgeable civic leaders, this Board, participating engineers and consultants, understood the many issues linked into the planning cycle for a new Passenger Terminal Building, reconstructed Air Traffic Control Tower, and the rebuilding of all storage hangars. The asset value of Airport properties has more than quadrupled since Hurricane Rita.

Airline service continues to show a pattern of growth, although not as well as 2006. Continental operates fewer flights than last year and they are just now starting to bring on additional regional jets in place of the turbo prop aircraft. In 2007 we enplaned and deplaned well over 100,000 passengers.

As 2007 drew to a close, it became known as one of the busiest years with projects ever. The temporary terminal continues to function effectively and passengers move in and out without difficulty. Passenger concerns, as always, are security lines and lost or misplaced luggage. Airlines face increased challenges in moving the public safely and efficiently to their destination. As we head into 2008, capacity issues, pricing, and airline scheduling will be on the forefront of public concern.

Assuming all goes as planned, the new state-of-the-art Terminal Building will be ready for occupancy in early 2009.

Moving forward, Heath Allen and his Airport Committee for additional service expect to move ahead with its current passenger numbers and continue to improve commercial air service for Southwest Louisiana and Lake Charles Regional Airport. The new Terminal will provide adequate space for new airline tenants and should be a fantastic marketing tool for new service.

The 2007 budget, like the 2006 budget, was as strained as it could be, but ended up as always being on target with the bottom line numbers.

Revenues for 2007 were budgeted at \$1,100,000 – and actual receipts were close to \$1,250,000. We fell below budget with landing fees and interest income. FEMA and insurance reimbursements did help the cash flow by \$721,000, bringing our bank balance over \$1,200,000. We have replaced near \$1 million to the insurance reserve.

We jumped way over the top in the operating expense column. The greater of that was for materials, parts and supplies, a great portion of the FEMA reimbursement was to offset those repair and material costs. Utility costs were more than expected due to a hot summer and cooling a tent and metal terminal building. As usual Fire Department costs are always expensive, that being – training, travel, fire truck maintenance and appropriate firefighting gear.

Last year's report contained several pages of explanations relative to the funding programs and the approval of AIP funding. This year no money has been approved for Airport Improvement Projects and until the Appropriations Committee can get approval from Congress, airports will be waiting.

This year's report is my 21st. Every year for the past 21 years you have heard me thank all of the people who work closely with the Board and the administration, especially Heath Allen, to make the planning process work. This year is no exception and for the most part I especially want to thank the Authority members for their innovative support, loyalty and spirit that enables all our tenants, employees, consultants, engineers and architects to work on projects that make this Airport facility a better place for Lake Charles and Southwest Louisiana. As mentioned before, Continental Express has recorded a record year and we congratulate them for working with the Board and the Administration, putting us on a level playing field with other competitive markets.

The TSA organization, rental car agencies, and other concession operators, we recognize your understanding of operating in semi-temporary quarters. We appreciate your cooperation throughout these difficult times.

Our efforts were drawn together by so many outstanding individuals – our President, Dr. John Moffett, who gives so much of his time on many issues. Mr. LeBert, Mr. DuRousseau, Mr. Smith and Mrs. Eason are always there to stand up for the Airport. As I've said before, "You are a model Board of model individuals."

I think back in time to all the technology changes, public building upgrades, runway, taxiway, electrical and sign projects funded with Federal and State dollars during the course of my career. Then there was an industrial park with a combination of multi-facet businesses with all

infrastructures funded totally with Airport Authority funds. All have contributed immensely to the economic impact and job base for the Airport, the City, and the Parish.

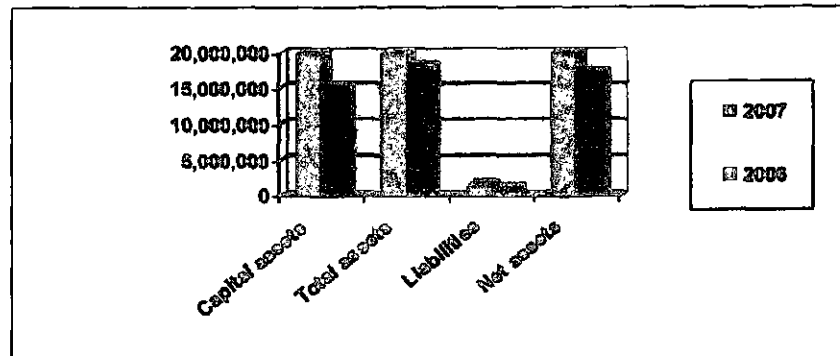
In closing, and to all of you who have watched the growth and prosperity over the last twenty years and to all of you who walked with and alongside this administration to see so much being achieved on a regular basis, I say thank you again and again for your support. During the coming year, the new Director will focus on new projects, leadership, systems and efforts to promote leisure and business air travel for this important community. Mr. Allen's efforts, in combination with yours, can only become real when the entire political structure, industry, and the population role of Southwest Louisiana participates with a commitment and a mission to search for opportunities that will work for Southwest Louisiana.

We all look forward to 2008 and beyond, and to the exciting opportunities related to civil and commercial aviation at Lake Charles Regional Airport.

"Life is not measured by the number of breaths we take, but by the moments that take our breath away."

Financial Highlights

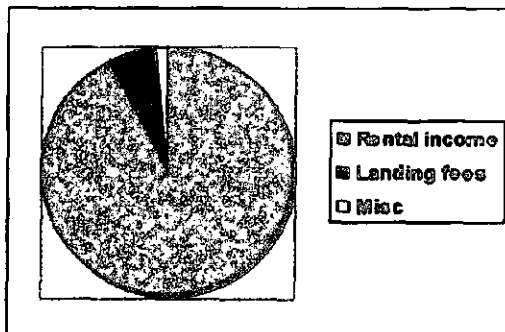
As of December 31, 2007, the Airport's net assets have increased to \$25.1 million from \$18.2 million at December 31, 2006. This increase is due in part to the funds that were made available to the Airport after Hurricane Rita.



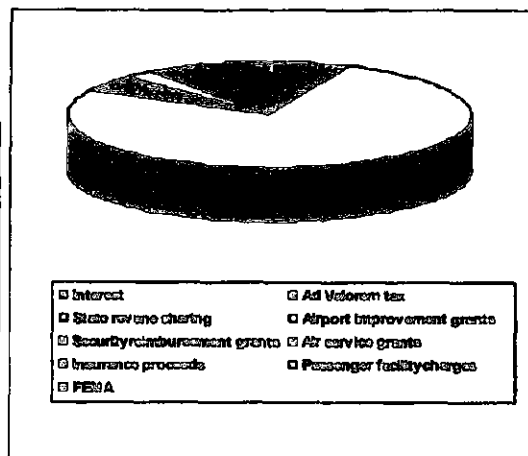
At year-end, operating revenues declined from \$883,000 in 2006 to \$804,000 in 2007. This was largely due to a decrease in rental car concessions. Non-operating revenues increased from \$2,012,000 in 2006 to \$8,005,000 in 2007. This is due primarily to the funding of the terminal construction project.

Revenue by Source

Operating Revenue - 2007



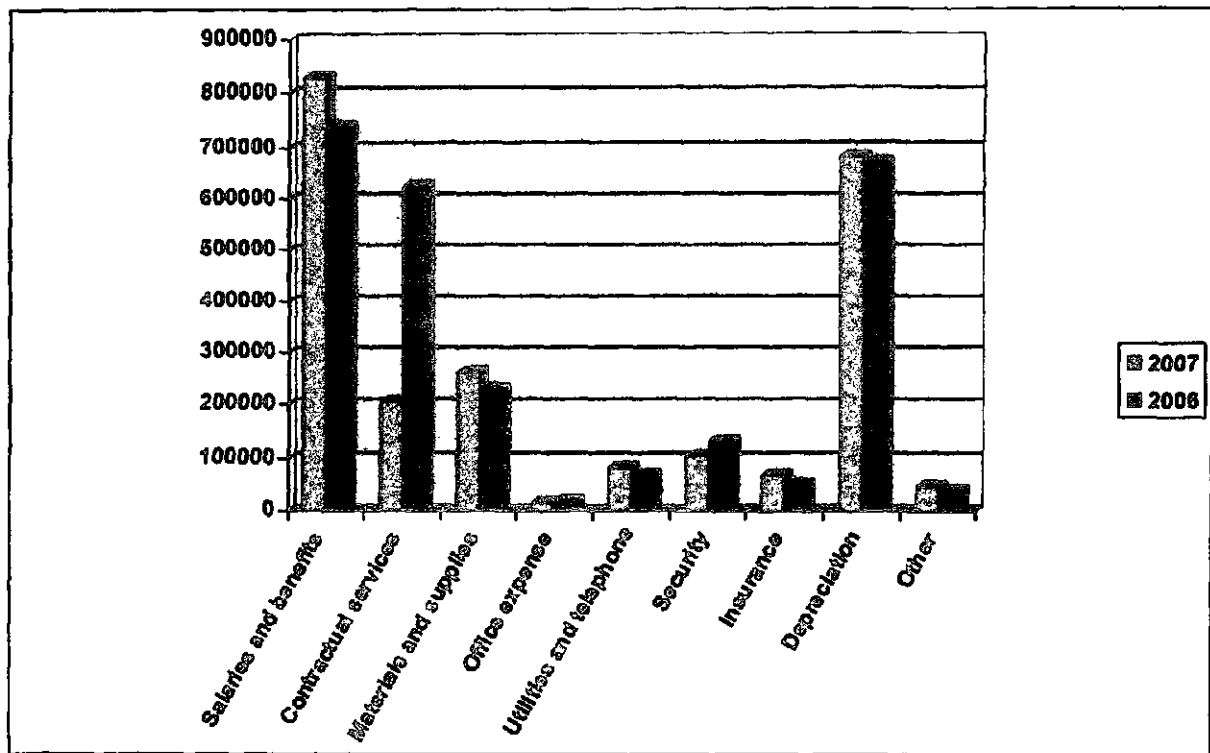
Non-operating revenue - 2007



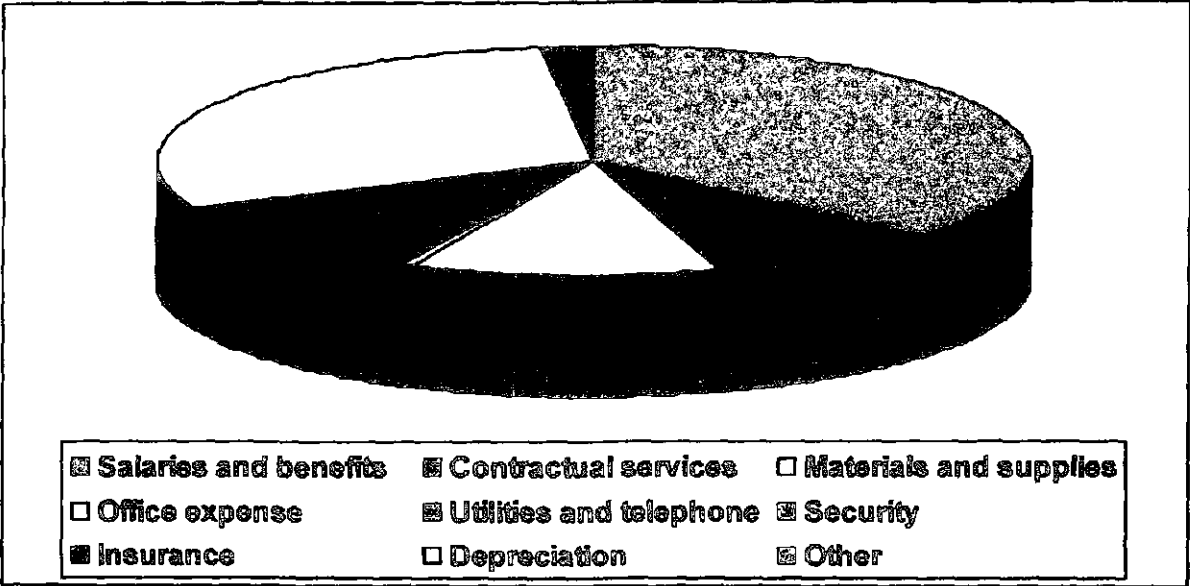
As indicated above a significant source of non-operating revenues came from grants. These revenues were largely used for the construction of a new terminal.

Total expenses (before depreciation) for the year decreased by 15% from last year; this is due to an decrease in contractual services expense associated with the Master Plan project.

Operating expenses – 2007/2006



Operating expenses - 2007



Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF NET ASSETS

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 1,239,042.52	\$ 2,372,310.17
Accounts receivable		
Federal Emergency Management Agency	232,819.96	-
Trade	73,830.78	76,507.66
Advalorem Taxes	440,899.15	373,689.17
State revenue sharing	8,709.75	8,709.75
Federal grants	1,041,184.33	236,742.42
State grants	213,399.66	44,906.63
Passenger facility charges	29,801.28	32,998.39
	<u>2,040,644.91</u>	<u>773,554.02</u>
Deposits	95,720.66	-
Prepaid insurance	8,767.76	8,767.76
Total Current Assets	3,384,175.85	3,154,631.95
Noncurrent assets		
Restricted Cash	618,332.32	403,065.54
Capital assets, net of accumulated depreciation	21,127,616.71	14,643,669.78
	<u>21,745,949.03</u>	<u>15,046,735.32</u>
TOTAL ASSETS	25,130,124.88	18,201,367.27
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	27,675.60	24,495.24
Due to Calcasieu Parish Police Jury	-	90,000.00
Construction contract payable	1,422,576.31	789,606.74
Payroll taxes and benefits	38,074.73	41,332.21
Deduction from advalorem taxes for retirement system	15,338.88	13,675.05
Deferred revenues	-	142,608.69
Total Current Liabilities	1,503,665.52	1,101,717.93
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
TOTAL LIABILITIES	1,507,665.52	1,105,717.93
<u>NET ASSETS</u>		
Invested in capital assets	19,713,497.30	13,928,236.18
Restricted for PFC projects	618,332.32	403,065.54
Unrestricted	3,290,629.74	2,764,347.62
TOTAL NET ASSETS	<u>\$ 23,622,459.36</u>	<u>\$ 17,095,649.34</u>

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS

For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Rental income	\$ 740,743.76	\$ 802,696.38
Landing fees	49,343.96	67,239.77
Miscellaneous	<u>13,925.00</u>	<u>13,855.04</u>
Total operating revenues	804,012.72	883,791.19
Operating expenses		
Salaries and benefits	829,171.90	738,226.97
Contractual services	203,108.74	622,872.79
Materials and supplies	261,633.74	229,071.93
Office expense	13,714.41	18,693.18
Utilities and telephone	82,017.32	66,254.91
Security	101,835.93	129,934.67
Insurance	66,387.00	50,127.14
Depreciation	680,976.00	668,952.06
Other	<u>44,187.86</u>	<u>38,766.19</u>
	<u>2,283,032.90</u>	<u>2,562,899.84</u>
Operating income (loss)	(1,479,020.18)	(1,679,108.65)
Nonoperating revenues (expenses)		
Interest	45,934.98	61,022.62
Ad Valorem tax	475,229.92	399,699.73
State revenue sharing	13,065.75	13,065.75
Grants		
Airport Improvement	6,274,028.95	1,707,902.37
Security Reimbursement	50,756.16	51,218.27
Air Service	142,608.69	-
FBO Facility	-	63,213.12
Insurance proceeds	219,891.31	-
Asset impairment gain (loss)	-	(743,047.82)
Federal Emergency Management Agency funds	824,010.99	231,370.46
Passenger facility charges	212,069.65	241,747.76
Engineering and professional fees	(236,427.32)	-
Ad Valorem tax deduction	<u>(15,338.88)</u>	<u>(13,675.05)</u>
	<u>8,005,830.20</u>	<u>2,012,517.21</u>
Increase (decrease) in net assets	6,526,810.02	333,408.56
Net assets, beginning of year	<u>17,095,649.34</u>	<u>16,762,240.78</u>
Net assets, end of year	<u>\$ 23,622,459.36</u>	<u>\$ 17,095,649.34</u>

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from charges	\$ 806,689.60	\$ 860,079.80
Cash received from AIP grants	55,205.00	479,112.54
Cash received from Ad Valorem taxes	394,344.89	365,838.41
Cash received from security grant	43,979.76	33,140.70
Cash received from air service grant	-	-
Cash payments to suppliers for goods and services	(835,420.48)	(1,119,448.28)
Cash payments to employees for services	<u>(832,429.38)</u>	<u>(732,682.88)</u>
Net cash provided used in operating activities	(367,630.61)	(113,959.71)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(6,466,237.29)	(2,147,293.33)
Funds paid for engineering and professional fees	(227,970.32)	-
Funds paid for refundable deposits	(95,720.66)	-
Insurance proceeds received	219,891.31	2,361,647.93
Amount due to Calcasieu Parish Police Jury	(90,000.00)	-
Cash received from Federal Emergency Management Agency	591,191.03	539,445.29
Funds paid on behalf of local government	-	36,000.00
Cash received from grants	5,244,208.18	1,114,768.58
Cash received from passenger facility charges	215,266.76	240,099.85
State revenue sharing received	<u>13,065.75</u>	<u>17,421.00</u>
Net cash provided (used) by capital and related financing activities	(596,305.24)	2,162,089.32
Cash flows from investing activities:		
Interest on investments	<u>45,934.98</u>	<u>61,022.62</u>
Net cash provided by investing activities	<u>45,934.98</u>	<u>61,022.62</u>
Net increase (decrease) in cash and cash equivalents	(918,000.87)	2,109,152.23
Cash and cash equivalents, beginning of year	<u>2,775,375.71</u>	<u>666,223.48</u>
Cash and cash equivalents, end of year - (including \$618,332.32 in restricted cash)	<u>\$ 1,857,374.84</u>	<u>\$ 2,775,375.71</u>

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended December 2007 and 2006

Reconciliation of operating income to net
cash provided by operating activities:

	<u>2007</u>	<u>2006</u>
Operating income (loss)	\$ (1,479,020.18)	\$ (1,679,108.65)
Depreciation	680,976.00	668,952.06
Nonoperating Ad Valorem taxes	394,344.89	365,838.41
Cash received from AIP grant	55,205.00	479,112.54
Cash received from security grant	43,979.76	33,140.70
Cash received from air service grant	-	-
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	2,676.88	(23,711.39)
Increase (decrease) in accounts payable	(62,535.48)	46,045.76
Increase (decrease) in deferred revenue	-	(9,773.23)
Increase (decrease) in taxes and benefits payable	(3,257.48)	5,544.09
Total adjustments	<u>1,111,389.57</u>	<u>1,565,148.94</u>
Net cash used by operating activities	<u>\$ (367,630.61)</u>	<u>\$ (113,959.71)</u>

See notes to the financial statements

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Year ended December 31, 2007

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
US Department of Transportation Airport Improvement Program	20.106	\$ 5,980,887
Federal Emergency Management Agency Passed through the Louisiana office of Homeland Security and Emergency Preparedness Hurricane Rita recovery program	97.036	\$ 824,011
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement		\$ 50,756

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of federal financial assistance includes the federal grant activity of the Airport Authority for Airport District #1 of Calcasieu Parish and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A. ORGANIZATION

Airport Authority for Airport District #1 of Calcasieu Parish (the Authority) was created by the Calcasieu Parish Police Jury as provided by Revised Statutes 2:602. The Authority is governed by a board of five commissioners who, along with the Airport Manager, establish regulations governing the maintenance and operations of the facilities of the Lake Charles Regional Airport.

The financial statements of the Authority will be included in the Calcasieu Parish Police Jury's financial reporting as a discretely presented component unit. In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." As a discretely presented component unit, the Authority is a separate legal entity, but the Police Jury has an oversight relationship with the Authority.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority complies with Generally Accepted Accounting Principles (GAAP). Because the Authority accounts for its activities as a proprietary fund, the Authority has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those FASB pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1. Basis for Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting; whereby revenues are recognized when earned and expenses are recorded when incurred.

2. Budget Policy

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget prepared on the accrual basis of accounting, covers all authority activities. At the end of the fiscal year unexpended appropriations automatically lapse.

3. Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. The Authority generally capitalizes assets with a cost of \$2,500 or more. Depreciation is computed on a straight-line method over the estimated useful lives as follows:

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	<u>Years</u>
Building and improvement	30
Land improvements	10-40
Machinery and equipment	3-10
Furniture and fixtures	5-10

4. Operating Revenues and Expenses

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Net Assets. For this purpose, all revenues generated by operations at the airport are reported as operating revenues. Operating expenses include all costs of operating the airport. As a result, nonoperating revenues and expenses include all investing and financing transactions, including grants and passenger facilities charges required to be used to finance the capital structure of the Authority. Ad valorem taxes and certain grants dedicated to airport operation are also reported as nonoperating revenues. However, these revenues are reported as a source of operating cash flows in the Statement of Cash Flows based on GASB Statement 9.

5. Rental Income

The Authority leases its property to commercial airlines, car rental companies, concessionaires, fixed base operators who service the airline industry, the FAA, and others. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals on non-cancelable operating leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2008	277,065
2009	116,257
2010	112,207
2011	110,857
2012	104,257

6. Statement of Cash Flows

For purposes of reporting cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

7. Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE C. CASH

The Authority's deposits are fully collateralized by Federal government bonds held by Capital One, NA and JP Morgan Chase in the name of Airport Authority for Airport District #1 of Calcasieu Parish.

Cash of the Authority is classified into three categories to give an indication of the level of risk assumed at the year end.

Category 1: includes deposits insured or collateralized with securities held by the Authority or its agent in the name of the Authority.

Category 2: includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: includes insured and unregistered deposits with the securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name.

Cash as of December 31, 2007 and 2006 was all classified as Category 1. Cash balances in Category 1 as of December 31, 2007 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Unrestricted	\$ 1,528,189	\$ 1,239,042
Restricted	<u>618,332</u>	<u>618,332</u>
	<u>\$ 2,146,521</u>	<u>\$ 1,857,374</u>

NOTE D. PENSION PLAN

Full-time employees of the Authority are members of the Parochial Employees' Retirement System of Louisiana, a multi-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separated assets and benefit provisions. Eligible employees of the Authority were members of Plan A for 2007. Under Plan A, members with seven years of creditable service may retire at the age 65; members with 10 years of creditable service may retire at age 60; members with 25 years of service may retire at age 55; members with 30 years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service. However, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary or the final compensation. Contributions to the System include ¼ of 1% of the taxes shown be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE D. PENSION PLAN (continued)

Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries, 9.5% under Plan A, to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation for the prior fiscal year. The employer contribution was 13.25% of covered employees' salaries for 2007 and 12.75% for 2006. The payroll for the Authority employees covered by the system for the year ended December 31, 2007 and 2006 was \$487,046 and \$476,530; the Authority's total payroll and accrued benefits for 2007 and 2006 was \$829,172 and \$738,227, respectively. The Authority contributed \$63,740 and \$60,758 to the system during the years 2007 and 2006.

NOTE E. ANNUAL AND SICK LEAVE

Permanent employees earn one to six weeks of annual leave and two to six weeks of sick leave each year depending on length of service with the Authority. A maximum of ten days of annual leave may be accumulated and carried forward without limitation. Upon termination, employees are paid for unused annual leave only.

NOTE F. AD VALOREM TAXES

For the year ended December 31, 2007, taxes of .61 mills were levied on property with taxable assessed valuations of \$769,601,266 and was dedicated to the operation and maintenance of the Airport.

Property tax millage rates are adopted on a 10 year basis. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien. A renewal election was held and passed in October 2005 to levy millage beginning in 2005 and expiring 2014.

NOTE G. RESTRICTED ASSETS

Assets required to be held and/or used as specified in contractual agreements have been reported as Restricted Assets. Restricted Assets at December 31, 2007, consisted of the following:

Cash

PFC Funds	<u>\$618,332</u>
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Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE H. CAPITAL ASSETS

Capital assets consist of the following:

	Balance 12/31/06	Additions	Disposals	Balance 12/31/07
Land	\$ 2,410,409	\$ -	\$ -	\$ 2,410,409
Buildings & Improvements	6,073,704	1,894,843	-	7,968,547
Land Improvements	15,170,734	-	-	15,170,734
Machinery & Equipment	1,591,026	12,500	-	1,603,526
Furniture & Fixtures	63,373	-	-	63,373
Construction in progress	<u>1,230,420</u>	<u>7,152,424</u>	<u>(1,894,843)</u>	<u>6,488,001</u>
	26,539,666	9,059,767	(1,894,843)	33,704,590
Less accumulated depreciation:				
Buildings & Improvements	1,813,133	228,382	-	2,041,515
Land Improvements	9,318,421	358,234	-	9,676,655
Machinery & Equipment	701,276	94,204	-	795,480
Furniture & Fixtures	<u>63,168</u>	<u>156</u>	<u>-</u>	<u>63,324</u>
	<u>11,895,998</u>	<u>680,976</u>	<u>-</u>	<u>12,576,974</u>
Net capital assets	<u>\$14,643,668</u>	<u>\$ 8,378,791</u>	<u>\$(1,894,843)</u>	<u>\$ 21,127,616</u>

Assets included above but not in service as of December 31 were as follows:

	Balance <u>2006</u>	Balance <u>2007</u>
Jetway		
Net of accumulated Depreciation of \$103,335 in 2007	<u>\$1,274,463</u>	<u>\$1,240,017</u>

NOTE I. COMMITMENTS AND CONTINGENCIES

On a continuing basis, the Authority enters into construction contracts for improvements to the airport. At December 31, 2007, work was in progress for the construction of a new terminal. Funding is to be provided as follows:

FAA – Airport Improvement Program	\$21,967,631
Passenger Facility Charges	219,578
Louisiana DOTD	1,156,191
Insurance proceeds	2,000,000
FEMA	<u>2,769,622</u>
	<u>\$28,113,022</u>

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Total cost of construction in progress for the terminal as of December 31, 2007 was \$6,474,501. During 2008 a construction contract for a firewall at the FBO was approved in the amount of \$397,650. Included in construction in progress is \$13,500 for the design fee.

The Authority is a party to a consolidated litigation involving Vision Aviation, LLC. The litigation is assigned for trial beginning October 8, 2008. From the perspective of the Airport Authority, this is essentially an eviction action to terminate any contractual relationship with Vision Aviation. There are numerous incidental claims asserted by each of the parties, but in the opinion of management, the litigation does not present a substantial likelihood for significant financial exposure.

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 2007 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

NOTE J. PASSENGER FACILITY CHARGE

Beginning in March, 2001 Passenger Facility Charges at the rate of \$3 per enplaned passenger have been levied by the Authority under Federal Aviation Administration (FAA) approved applications to impose and use \$4,251,977 for reimbursement of prior FAA approved improvements and construction of new improvements. Beginning in 2005, the passenger rate was approved to be increased to 4.50 per enplaned passenger for approved applications of \$1,177,234. Total PFC revenues remitted to the Authority for the year ended December 31, 2007 and 2006 were \$215,266 and \$241,748 respectively. As of December 31, 2007 all prior improvements had been reimbursed leaving a balance of \$618,332 of PFC funds available and restricted for future PFC projects.

Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of Calcasieu Parish Police Jury, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting and are listed as items 2007-1 through 2007-3.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

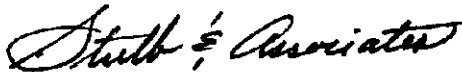
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the Airport Authority for Airport District #1 of Calcasieu Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Commissioners, management, the Federal Aviation Administration and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



June 30, 2008

Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Airport Authority of Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

Compliance

We have audited the compliance of Airport Authority of Airport District #1 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

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Internal Control over Compliance

The management of the Airport Authority of Airport District #1 of Calcasieu Parish is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

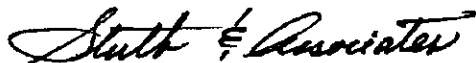
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Commissioners, management, the Federal Aviation Administration and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



June 30, 2008

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I – Summary of Auditors' Results
December 31, 2007

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ no

Type of auditor's report issued on compliance major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ☐ yes ☒ no

Identification of major programs:

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

Current Audit
2007-1

Segregation of duties

Finding: Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties.

Criteria: As part of an adequate system of internal control, certain accounting functions should be segregated in order to cross-reference each other for accuracy.

Context: Cash transactions are recorded by the same person that makes the deposits prepares the bank reconciliation.

Effect: Intentional or unintentional errors could be made and not detected within the accounting system.

Recommendation: Deposits should be made by someone other than the financial officer. Due to the limited number of qualified personnel it is not economically feasible to segregate the bank reconciliation function.

Response: Deposits will be made daily by the executive director's assistant using remote deposit. Daily reports will be maintained and used to record daily activity to the general ledger. The executive director will review the unopened bank statement and cancelled checks prior to the preparation of the bank reconciliation.

2007-2

Bank reconciliations

Finding: Bank accounts were not reconciled on a timely basis.

Criteria: Bank reconciliations should be prepared on a timely basis in order to prevent or detect errors and/or misappropriations in a timely manner.

Context: During our examination we noted that the savings account had not been reconciled during the year and the PFC account had not been reconciled for November and December.

Effect: Intentional or unintentional errors could be made and not detected until the bank account is reconciled.

Recommendation: Bank accounts should be prepared on a monthly basis and the status of outstanding items should be reviewed periodically.

Response: All bank accounts will be prepared monthly by the financial officer and reviewed by the executive director.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings - continued

2007-3

Rental income

Finding: The Authority's internal control over accounts receivable failed to identify outstanding rent payments.

Criteria: In order to maintain control over rent due from tenants, rent rolls should be maintained.

Context: During our examination we reconciled rent due from 6 tenants and noted uncollected rent for two tenants in the amount of \$14,831.26.

Effect: Without controls over accounts receivable, uncollected rents may not be detected.

Recommendation: Rent rolls should be maintained indicating the amount due and the amount paid for each month. The amounts due should be reconciled to the general ledger on a monthly basis. The expiration date and escalations for each lease should be noted and the rent rolls should be adjusted accordingly.

Response: A detailed rent rolls will be maintained and reviewed on a monthly basis.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings - continued

Prior Audit

2006-1

Finding: The Authority's internal control failed to identify instances of noncompliance with cash management grant provisions. The Authority's internal control also failed to identify all expenditures available for reimbursement. As a result, amounts overdrawn as well as amounts available were not recorded in the financial statement.

Corrective Action

All disbursements and draws will be reconciled at the time of the draw request. Applicable invoices were filed according to project number and date of draw request. As an additional control the person designated to monitor the federal grants oversees compliance with the provisions of the federal grants.

Section III – Federal Awards Findings and Questioned Costs

Current Audit

US Department of Transportation

Airport Improvement Program – CFDA Number 20.106

There were no findings to be reported under this section.

Prior Audit

2006-1

Condition: The Authority failed to reconcile disbursements and reimbursement requests on a timely basis. Separate files were not maintained for each program and invoices were not cancelled indicating program and draw date, increasing the risk of duplicate requests or the possibility of omitting an invoice for reimbursement.

Corrective Action

Same as 2006-1 above.